

Message Text

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PAGE 01 JAKART 10641 070705Z
ACTION XMB-04

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P R 070507Z AUG 78
FM AMEMBASSY JAKARTA
TO SECSTATE WASHDC PRIORITY 0681
INFO AMCONSUL MEDAN
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USDOC FOR MEPD

STATE PASS EXIMBANK

E.O. 11652: N/A
TAGS: EFIN, ID
SUBJECT: TRANSMIGRATION PROGRAM

REF: (A) STATE 192700, (B) JAKARTA 10395, (C) JAKARTA 10259

1. E/C COUNS AND COMMERCIAL ATTACHE CALLED UPON SOERYATIN, DIRECTOR GENERAL OF ROAD CONSTRUCTION (BINA MARGA), ON AUGUST 3 TO DISCUSS STATUS OF TRANSMIGRATION PROJECT TENDERING AND INTEREST OF US SUPPLIERS IN THIS PROJECT.

2. ASSUME REFTELS B AND C WILL ANSWER SEVERAL OF QUESTIONS RAISED IN REFTEL A. WE ASKED SOERYATIN SPECIFIC QUESTIONS LISTED IN REFTEL A PARA 3 AND RECEIVED FOLLOWING RESPONSES:

(A) GOI IS NOT INTERESTED IN SEEKING FINANCING FOR EQUIPMENT. TENDER, WHICH WAS OPENED ON AUGUST 3, IS FOR CONSTRUCTION CONTRACTORS TO DO LAND CLEARING AND VILLAGE CONSTRUCTION AT 30 SITES OUTSIDE OF JAVA.

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(B) LIST OF EQUIPMENT IS AVAILABLE FROM BINA MARGA. EMBASSY EXPECTS TO HAVE THIS LIST EARLY NEXT WEEK. WE WERE TOLD THAT LIST IS BASICALLY SAME AS CONTAINED IN JAKARTA 7684.

(C) LAND CLEARING EQUIPMENT SHOULD BE IN PLACE AT EACH

SITE BY MARCH 1979 IN PREPARATION TO START WORK IN NEW FISCAL YEAR WHICH STARTS APRIL 1. TO PREPARE SITES FOR MARCH ARRIVAL OF EQUIPMENT, PLANS ARE TO HAVE 15 KILOMETERS OF ACCESS ROAD CONSTRUCTED AT EACH SITE IN LATE 1978 (NOVEMBER). CONTRACTORS WOULD USE EQUIPMENT ALREADY IN COUNTRY.

(D) LIST OF SITES IS AVAILABLE FROM BINA MARGA. EMBASSY EXPECTS TO HAVE THIS EARLY NEXT WEEK.

(E) NO DIRECT OBLIGATION GUARANTY OF GOI WILL BE AVAILABLE.

(F) TENDER DOCUMENTS FOR SITE PREPARATION ARE AVAILABLE AND EMBASSY SHOULD HAVE COPY EARLY NEXT WEEK. THEY ARE IN INDONESIAN LANGUAGE. EMBASSY WILL POUCH A COPY TO EXIMBANK ASAP. TENDER WILL CLOSE AUGUST 8-9, SOERYATIN DESCRIBED TENDER AS A "QUALIFIED TENDER," THAT IS WITHOUT DETAILED DESIGN OR SITE INFORMATION AND ONLY INDICATING AREAS AND NUMBER OF SETTLEMENTS THEREIN. (WE UNDERSTAND DETAILED DESIGN AND SITE SURVEYS DO NOT YET EXIST.)

(G) ON JAPANESE FINANCING: SOERYATIN SAID THAT TENDER EVALUATION PROCESS WILL INCLUDE CONSIDERATIONS OF KNOWN "PERFORMANCE AND MECHANICAL EFFICIENCIES" OF JAPANESE AND AMERICAN EQUIPMENT.
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3. COMMENT: US SUPPLIERS ARE UNHAPPY ABOUT CONTINUING GOI REFUSAL TO GIVE GUARANTY FOR THIS HIGH PRIORITY PROJECT. HOWEVER, THEY FEEL THAT THEY HAVE NO CHOICE BUT TO DEAL WITH SITUATION AS IT IS AND ARE CONTACTING LOCAL CONTRACTORS WHO WOULD SUBMIT TOTAL COST BIDS TO GOI. THUS THE EQUIPMENT SUPPLYING PORTION OF THE PROJECT HAS BECOME A NORMAL COMMERCIAL TRANSACTION BETWEEN LOCAL CONTRACTORS AND EQUIPMENT SUPPLIERS, AND NO GOI AGENCY WILL BE DIRECTLY RESPONSIBLE FOR PROCUREMENT AND OPERATION OF EQUIPMENT. HOWEVER, CONSIDERING RISKS INVOLVED WITH DEALING IN INEXPERIENCED AND UNDERCAPITALIZED CONTRACTORS WITH NO GUARANTY, US SUPPLIERS ARE NOT SANGUINE THAT NECESSARY FINANCING WILL BE AVAILABLE TO THEM. IT APPEARS THAT LOCAL KOMATSU DEALER MAY BE IN BETTER POSITION TO DEAL WITH CONTRACTORS THROUGH A RENTAL ARRANGEMENT WITH CONSTRUCTION CONTRACTORS. KOMATSU HAS ALREADY ESTABLISHED EQUIPMENT RENTAL AGENCY AND IT IS BELIEVED KOMATSU DEALER WILL BE ABLE TO SECURE JAPANESE FINANCING TO BRING IN NEW MACHINES TO MEET DEMAND.

4. QUITE CLEARLY THE GOI ITSELF DOES NOT YET HAVE ALL THE FACTS SORTED OUT, AND PLANNING PROCESSES ARE STILL IN MOTION. THE GOI MAY WELL HAVE TO CHANGE ITS POLICY ON EQUIPMENT FOR THE PROGRMA, IF THE POTENTIAL CONTRACTORS ARE UNABLE TO MAKE SUITABLE ARRANGEMENTS. EMBASSY WILL CONTINUE TO FOLLOW SITUATION CLOSELY.
BACON

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